

## **Exhibit I**

### **Board's Fiscal Year 2002 Certification**

1400 L. Street, NW, Suite 300  
Washington, D.C. 20005



Telephone (202) 535-1271  
Facsimile (202) 535-1414

December 28, 2000

The Honorable Anthony Williams  
Office of the Mayor  
441 Fourth Street, N.W., Suite 1100  
Washington, D.C. 20001

Dear Mayor Williams:

The Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Plan Act of 1998, (the "Replacement Plan Act") effective September 18, 1998 (D.C. Code §§ 1-781.1 et. seq.) requires the District of Columbia Retirement Board ("Retirement Board") to certify to the Mayor and the Council, not less than thirty (30) days prior to submission of the Mayor's annual budget for the District of Columbia government to the D.C. Council, the normal contribution rate ("District payment") for each separate retirement Fund: (i) the Teachers' Retirement Fund ("Teachers' Fund") and (ii) the Police Officers and Fire Fighters' Retirement Fund ("Police and Fire Fund"), (collectively the "Funds") comprising the Funds. D.C. Code § 1-784.3(b)(1). The Replacement Plan Act further requires that the Mayor and the Council include in the annual budget for the District of Columbia an amount not less than the amount certified by the Board. D.C. Code § 1-784.3(b)(2).

I am writing to inform you that the Board approved the enrolled actuary's certification of the District of Columbia Fiscal Year 2002 payment to the Funds (Exhibit I) at its monthly meeting on December 21, 2000. This letter constitutes the Board's statutorily required certification of the District's payment to the Funds for FY 2002.

While the table on page two of this correspondence incorporates amounts certified by the Board for the District of Columbia FY 2002 payment to each separate Fund comprising the Funds, it is important to note that this certification does not include an amount (\$1.7 million) required for the Police Officers and Fire Fighters' Retirement Fund in Fiscal Year 2002 pursuant to the "Police and Fire Fighters Survival Annuity Adjustment Amendment Act of 2000", ( Title XI of the Fiscal Year 2001 Budget Support Act of 2000; D.C. Law 13-172, effective October 19, 2000) as indicated in the actuarial change in benefits study ("actuarial study") conducted for the Mayor in 1999 by Milliman & Robertson<sup>1</sup>. Thus, a \$1.7 million adjustment will be required to the actuarial certified District contribution amount contained in the following table.

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<sup>1</sup> "District of Columbia Effect of the Policemen and Firemen's Retirement and Disability Amendment Act of 1999 on the Police Officers and Fire Fighters Retirement Program", June 29, 1999.

**FY 2002 Actuarial Certified District Contribution to the Funds**

<b>Retirement Fund</b>	<b>Normal Contribution Amount (Millions)</b>
Teachers' Retirement Fund	\$0.0
Police Officers and Fire Fighters' Retirement Fund	\$62.8
Total FY 2002 District Contribution	\$62.8

**Explanation of Required Adjustment to Certification**

As explained below, the amount certified in the table above does not include \$1.7 million required in FY 2002 for the Police Officers and Fire Fighters' Retirement Fund. The certified amount of \$62.8 million will need to be adjusted by \$1.7 million resulting in a total contribution of \$64.5 million for FY 2002.

*Legislative History*

In 1999, a bill was introduced in the Council of the District of Columbia (Bill 13-28), the "Policemen and Firemen's Retirement and Disability Amendment Act of 1999". The purpose of the bill was to amend the Policemen and Firemen's Retirement and Disability Act, to increase the pension of survivors of police officers and fire fighters killed in the line of duty from 40% to 100% of the member's salary at the time of his or her death. Language in the original bill required this change to be retroactively effective for any line of duty deaths after December 31, 1996, but was later changed to any line of duty deaths occurring after December 29, 1993.

Pursuant to a provision in the Replacement Plan Act<sup>2</sup>, prior to enactment of a law producing any change in benefits under the Retirement Program, the Mayor must engage an enrolled actuary to estimate the effect of that change in benefits over the next 5 fiscal years on: (i) the normal contribution rate; and (ii) the estimated level of District payments. On June 3, 1999, Mayor Anthony Williams formally requested authorization for the Retirement Board's actuary, Milliman & Robertson to conduct an actuarial study. On June 29, 1999, Milliman & Robertson transmitted the results of the actuarial study to the Mayor which included a summary of the bill, data and assumptions, and financial impact. Exhibit VI of the actuarial study (Exhibit II) breaks out the Net Normal Contribution percentage and District Payment for retroactive effective dates in December 1995, 1994, and 1993.

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<sup>2</sup> D.C. Code § 1-784.3(c)

The Honorable Anthony Williams  
December 28, 2000  
Page 3

Language substantially similar to that contained in Bill 13-28 was introduced as Title XI of the Fiscal Year 2001 Budget Support Act of 2000 ("Budget Support Act"), now D.C. Law 13-172, effective October 19, 2000. For purposes of Title XI of the Budget Support Act, the actuarial study indicates that the impact of the benefit change in the Police Officers and Fire Fighters' Retirement Fund retroactive to December 30, 1993 results in a Net Normal Contribution Percentage of 0.7% and an associated District payment of \$1.7 million in Fiscal Year 2002. Because this measure did not become law until after the valuation date of October 1, 2000, the Board's actuary, Milliman & Robertson was unable to capture the additional amount (\$1.7 million) required in FY 2002 in its certification for the District's contribution for FY 2002.

**Adjusted District Contribution to Police Officers and Fire Fighters' Retirement Fund for FY 2002**

For purposes of submission and consideration of the annual budget for the District of Columbia for Fiscal Year 2002, \$1.7 million should be added to the certified amount of \$62.8 for a total District contribution to the Police Officers and Fire Fighters' Retirement Fund of \$64.5 million.

Should you have any questions, please do not hesitate to contact the Board's Executive Director Jorge Morales at: (202) 535-1271.

Sincerely,

A handwritten signature in black ink, appearing to read "Betty Kane", with a stylized flourish at the end.

Betty Ann Kane  
Chairman of the Board

cc: Trustees, D.C. Retirement Board

## **EXHIBIT I**

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### **Actuarial Certification for Fiscal Year 2002**



**MILLIMAN & ROBERTSON, INC.**

Actuaries & Consultants

*Internationally WOODROW MILLIMAN*

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December 21, 2000

Mr. Jorge Morales  
Executive Director  
D. C. Retirement Board  
1400 L Street, NW. # 300  
Washington, DC 20005

Dear Jorge:

Enclosed please find a copy of the actuarial certification approved by the board at today's meeting. Please note the District contribution encompasses legislation adopted on or prior to the valuation date of October 1, 2000. The District contribution should be increased as indicated by the change in benefit studies for any legislation that is passed after the valuation date.

The actuarial assumptions used in this certification and in the valuation have been recommended by the actuary. We believe that the assumptions we have recommended, in the aggregate, are reasonably related to the experience of the Fund and the retirement program and to reasonable expectations, and represent our best estimate of anticipated future experience of the plan.

We have relied, without audit, on employee census data provided by the District of Columbia. Census data provided to us has been reviewed for reasonableness and adjusted where necessary as indicated in our presentation. The current value of assets used in this certification is the market value of assets provided by the D.C. Retirement Board reduced by estimated contributions payable to Treasury for benefits through September 30, 2000.

Please call if you have any questions.

Respectfully submitted,  
MILLIMAN & ROBERTSON, INC.

John L. Colberg, F.S.A.  
Consulting Actuary

Enclosure

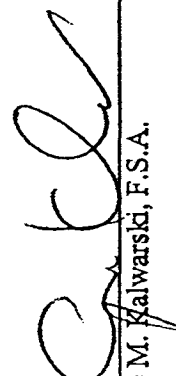
cc: Gene Kalwarski

JLC/KAC/DCR/10

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**Required Actuarial Certifications  
Under D.C. Law 12-152  
for Fiscal Year 2002  
(Dollars in Millions)**

<u>Certification</u>	<u>Code Section</u>	<u>Teachers</u>	<u>Police</u>	<u>Fire</u>	<u>Police/Fire Combined</u>	<u>Total District</u>
FY 2002 Normal Contribution Rate	§1-784.3(a)(3)(A)	0.3%	22.9%	28.4%	24.4%	10.5%
Estimated FY 2002 Covered Payroll	NA	\$343.7	\$184.2	\$67.5	\$251.7	\$595.4
FY 2002 District Payment before §1-784.2(c)	NA	\$1.0	\$42.2	\$19.2	\$61.4	\$62.4
FY 2000 Shortfall / Overpayment	§1-784.2(c)	(\$5.5) <sup>1</sup>	1.5	(0.1)	\$1.4	\$0.4 <sup>1</sup>
FY 2002 District Payment	NA	\$0.0	\$43.7	\$19.1	\$62.8	\$62.8
Present Value of Future Benefits	§1-784.3(a)(3)(B)	\$1,054.6	\$1,489.0	\$603.7	\$2,092.7	\$3,147.3
Current Value of Assets	§1-784.3(a)(3)(C)	\$861.3 <sup>2</sup>	\$839.1 <sup>2</sup>	\$340.5 <sup>2</sup>	\$1,179.6 <sup>2</sup>	\$2,040.9 <sup>2</sup>
Actuarial Value of Assets	§1-784.3(a)(3)(D)	\$798.9 <sup>2</sup>	\$781.9 <sup>2</sup>	\$315.4 <sup>2</sup>	\$1,097.3 <sup>2</sup>	\$1,896.2 <sup>2</sup>

  
 Gene M. Kalwarski, F.S.A.  
 12/2002 (Date)

<sup>1</sup> Only (\$1.0) million of the teacher's §1-784.2(c) adjustment can be recongized in 2002.  
<sup>2</sup> These amounts are reflect benefits payable as of September 30, 2000 of \$1.6 million for teachers, \$1.0 million for police, and \$1.2 million for fire.

## **EXHIBIT II**

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### **Milliman & Robertson Actuarial Study Excerpt**

#### **Impact of Benefit Change**



**Exhibit VI**

<b>D.C. Police Officers' &amp; Fire Fighters' Retirement Fund</b>						
<b>Impact of Benefit Change at Alternative Effective Dates (\$ in millions)</b>						
	<b>December 31, 1995</b>		<b>December 31, 1994</b>		<b>December 30, 1993</b>	
<b>Fiscal Year</b>	<b>Net Normal Contribution Percentage</b>	<b>District Payment</b>	<b>Net Normal Contribution Percentage</b>	<b>District Payment</b>	<b>Net Normal Contribution Percentage</b>	<b>District Payment</b>
<b>Total Fund</b>						
2000	0.6%	\$1.3	0.7%	\$1.5	0.7%	\$1.5
2001	0.7%	\$1.5	0.7%	\$1.6	0.7%	\$1.6
2002	0.7%	\$1.5	0.7%	\$1.7	0.7%	\$1.7
2003	0.7%	\$1.6	0.7%	\$1.7	0.7%	\$1.7
2004	0.6%	\$1.6	0.7%	\$1.8	0.7%	\$1.8
<b>Police Officers</b>						
2000	0.6%	\$0.9	0.7%	\$1.1	0.7%	\$1.1
2001	0.6%	\$1.0	0.7%	\$1.1	0.7%	\$1.1
2002	0.6%	\$1.0	0.7%	\$1.2	0.7%	\$1.2
2003	0.6%	\$1.1	0.7%	\$1.2	0.7%	\$1.2
2004	0.6%	\$1.1	0.7%	\$1.3	0.7%	\$1.3
<b>Fire Fighters</b>						
2000	0.8%	\$0.4	0.8%	\$0.4	0.8%	\$0.4
2001	0.8%	\$0.5	0.8%	\$0.5	0.8%	\$0.5
2002	0.8%	\$0.5	0.8%	\$0.5	0.8%	\$0.5
2003	0.8%	\$0.5	0.8%	\$0.5	0.8%	\$0.5
2004	0.8%	\$0.5	0.8%	\$0.5	0.8%	\$0.5